PENROSE WATER DISTRICT

Financial Statements
With
Independent Auditors' Report

For the Year Ended
December 31, 2019

Penrose Water District

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PENROSE WATER DISTRICT

340 Grant Street Penrose, CO 81240

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) is designed to provide an easy-to-read discussion of the District's financial condition and operating results and to disclose to the reader important financial activities and issues related to the District's basic operations and mission.

The District has two financial categories referred to as a Governmental Type and Business Type activity.

DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements (including the accompanying footnotes)*, and *supplementary information*. The *supplementary information* is not a required part of the financial statements under generally accepted accounting principles.

The basic financial statements consist of the statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. These statements report information about the District as a whole and include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

These statements report the District's *Net Position* and changes in it. The District's Net Position is one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's Net Position is one indicator of whether its financial health is improving or deteriorating.

HIGHLIGHTS

- In 2019 total assets were $13,758,460, a decrease of $294,214 from 2018.
- In 2019 total liabilities were $7,786,194, a decrease of $192,894 from 2018.
- Operating income for 2019 was $1,295,622 compared to $1,325,694 in 2018.
- Net nonoperating income (expense) was $247,095 in 2019 compared to $229,863 in 2018. Details of the difference are shown on the statement of revenue, expenses, and changes in net position.

PENROSE WATER DISTRICT

340 Grant Street Penrose, CO 81240

STATEMENTS OF NET POSITION

The perspective of the statement of Net Position is of the District as a whole. Following is a summary of the District's Net Position for 2019 compared to 2018:

CONDENSED STATEMENT OF NET POSITION

	Governmental Activity	Business-Type Activity	Total	
	12/31/2019	12/31/2019	12/31/2019	12/31/2018
ASSETS				
Current and Other Assets	$ 175,533	$ 1,896,548	$ 2,072,081	$ 2,467,564
Capital Assets	-	11,686,379	11,686,379	11,585,110
Total Assets	175,533	13,582,927	13,758,460	14,052,674
LIABILITIES				
Current Liabilities	-	73,078	73,078	79,232
Noncurrent Liabilities	10,647	7,702,469	7,713,116	7,899,856
Total Liabilities	10,647	7,775,547	7,786,194	7,979,088
DEFERRED INFOWS	173,251	-	173,251	172,400
NET POSITION				
Net Investment in Capital Assets	-	3,983,910	3,983,910	3,695,694
Restricted	9,000	571,176	580,176	595,706
Unrestricted	(17,365)	1,252,294	1,234,929	1,609,786
Total Net Position	**$ (8,365)**	**$ 5,807,380**	**$ 5,799,015**	**$ 5,901,186**

STATEMENTS OF ACTIVITIES

The following table reflects the change in Net Position for fiscal year 2019 and 2018.

PENROSE WATER DISTRICT

340 Grant Street Penrose, CO 81240

CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activity	Business-Type Activity	Total	
	12/31/2019	12/31/2019	12/31/2019	12/31/2018
OPERATING REVENUES				
Charges for Services	$ -	$ 1,291,722	$ 1,291,722	$ 1,312,894
Tap Fees	-	3,900	3,900	12,800
Total Operating Revenues	-	1,295,622	1,295,622	1,325,694
OTHER INCOME				
Tax Revenue	172,389	-	172,389	184,584
Specific Ownership Taxes	29,275	-	29,275	-
Interest Income	-	39,731	39,731	40,525
Gain (Loss) on Capital Assets	-	5,700	5,700	4,754
Transfers	70,876	(70,876)	-	-
Total Other Income	272,540	(25,445)	247,095	229,863
Total Revenues	272,540	1,270,177	1,542,717	1,555,557
PROGRAM EXPENSES				
General Government	270,465	-	270,465	-
Water Operations	-	1,374,423	1,374,423	1,321,525
Interest Expense	-	-	-	260,819
Total Program Expenses	270,465	1,374,423	1,644,888	1,582,344
CHANGE IN NET POSITION	2,075	(104,246)	(102,171)	(26,787)
Net Position, Beginning	-	5,901,186	5,901,186	5,927,973
Prior Period Restatement	(10,440)	10,440	-	-
Net Position, Beginning (as Restated)	(10,440)	5,911,626	5,901,186	5,927,973
NET POSITION, ENDING	**$ (8,365)**	**$ 5,807,380**	**$ 5,799,015**	**$ 5,901,186**

PENROSE WATER DISTRICT

340 Grant Street Penrose, CO 81240

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the changes in capital assets during the year.

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Water rights	$ 1,690,687	$ -	$ -	$ 1,690,687
Water storage rights	2,549,144	-	-	2,549,144
Land and rights of way	242,794	-	-	242,794
Land and rights of way	-	12,953	-	12,953
Total capital assets not being depreciated	4,482,625	12,953	-	4,495,578
Capital assets being depreciated:				
Buildings and improvements	61,999	350,620	-	412,619
Water treatment plants	2,178,576	-	-	2,178,576
Distribution system	9,309,072	32,124	-	9,341,196
Other equipment	289,733	24,570	-	314,303
Total capital assets being depreciated	11,839,380	407,314	-	12,246,694
Less: Accumulated depreciation	(4,736,895)	(318,998)	-	(5,055,893)
Net capital assets being depreciated	7,102,485	88,316	-	7,190,801
Net capital assets	$ 11,585,110	$ 101,269	$ -	$ 11,686,379

DEBT OUTSTANDING

The following table summarizes the debt activity of the District during the year.

	Restated Balance 1/1/19	Advances	Repayments	Balance 12/31/19	Current Portion
Governmental Activities:					
Compensated Absences	$ 10,440	$ 207	$ -	$ 10,647	$ -
Business-type Activities:					
2016 CWCB Loan	7,889,416	-	186,947	7,702,469	193,022
Total Obligations	**$ 7,899,856**	**$ 207**	**$ 186,947**	**$ 7,713,116**	**$ 193,022**

ECONOMIC AND OTHER FACTORS

Since its inception in 1968, the District's raw water supply has depended solely on a lease from a local irrigation company whose supply is from a single source. From 2005 to present, the most evident economic factor and budgetary influence has been the District’s endeavor to acquire a more secure and diverse raw water supply. Those factors include the acquisition of a water right on the Arkansas River, changing the right to needed uses, and the construction and operation of a pumping and piping system to convey the water in a manner for needed use. The combined projects were completed in late 2015 and provide the District with 330 consumptive acre feet of water.

In 2010 the District took out a 30-year, 3.25%, loan for $8,844,570 from the Colorado Water Conservation Board (CWCB). That loan was issued to finance 90% of the combined projects. The District provided the remaining 10% cost. An additional $500,000.00 was provided through a grant from the Department of Local Affairs.

The CWCB loan requires an annual debt payment of approximately $444,000.00/year and a reserve fund of like balance. The reserve is fully funded. To generate revenues necessary to meet debt service and costs associated with operating and maintaining (O&M) the system, from 2006 to present (2020) the Board reassesses projected O&M and debt service and makes rate adjustments accordingly.

Tap fees are $12,000.00/eru. In 2019 the District sold 1 tap. However, 5 previously purchased taps were installed to accommodate new construction. The District had 1,742 taps on system at December 31, 2019.

The base monthly minimum fee, which is charged to all accounts regardless of usage, is set in accordance with the District's debt service and other capital needs and is dedicated to those payments and activities. Water use rates are primarily set in accordance with operational costs. The Board reviews the revenue-to-cost ratio on an annual basis to ensure rates are structured in such a manner as to maintain a balanced budget. The Board increased the base to $39.50/month and use charges to $5.20/thousand gallons effective on the January 2020 billing.

In 2017 the District's constituents passed a ballot measure that increased the general operating and capital expenditure mill levy and removed the previously existing special revenue mill that was passed in 1998. The new mill levy is the equivalent of the combination of the two previous mills. The new mill is approved for the length of the CWCB loan.

As previously discussed, the primary source of supply for the Penrose Water District is via leased raw water from Beaver Park Water, Inc., a local irrigation company. In 2019 the parties reached an agreement to extend the raw water through December 31, 2090.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

District Manager
PENROSE WATER DISTRICT
340 Grant
Penrose, Colorado 81240-0279
Tel: (719) 372-3289
Fax: (719) 372-9347

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FINANCIAL SECTION

Mayberry & Company, LLC
Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Directors
Penrose Water District
Penrose, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Penrose Water District as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the basic financial statements of the District, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Penrose Water District, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Emphasis of a Matter

As discussed in Note 9 to the financial statements, the 2019 financial statements presentation has been modified to present the District's property tax supported administrative costs as a separate and unique General Fund. These costs, and related revenues are no longer presented as part of the District's Water Enterprise Fund. In addition, the District's accrued leave balances are now presented as a noncurrent liability in the Governmental Activity presentation rather than in the Enterprise Fund. Our opinion is not modified with respect to these matters.

Required Supplementary Information – Management Discussion and Analysis (Unaudited)

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Budgetary Comparison Schedules and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, the budgetary comparison schedule on page 26 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mayberry + Company, LLC

Englewood, Colorado
March 2, 2020

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Basic Financial Statements

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PENROSE WATER DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash	$ -	$ 1,076,992	$ 1,076,992
Restricted Cash and Investments	-	571,176	571,176
Receivables			
Property Tax Receivable	173,251	-	173,251
Utility Receivable	-	128,924	128,924
Cash with Fiscal Agent	2,282	-	2,282
Other Receivables	-	19,920	19,920
Inventory	-	99,536	99,536
Total Current Assets	175,533	1,896,548	2,072,081
Noncurrent Assets			
Capital Assets not being Depreciated	-	4,495,578	4,495,578
Capital Assets being Depreciated	-	12,246,694	12,246,694
Accumulated Depreciation	-	(5,055,893)	(5,055,893)
Total Noncurrent Assets	-	11,686,379	11,686,379
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 175,533	$ 13,582,927	$ 13,758,460
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	$ -	$ 10,495	$ 10,495
Accrued Interest Payable	-	62,583	62,583
Total Current Liabilities	-	73,078	73,078
Noncurrent Liabilities			
Due within one year	-	193,022	193,022
Due in more than one year	10,647	7,509,447	7,520,094
Total Noncurrent Liabilities	10,647	7,702,469	7,713,116
TOTAL LIABILITIES	10,647	7,775,547	7,786,194
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Property Taxes	173,251	-	173,251
NET POSITION			
Net Investment in Capital Assets	-	3,983,910	3,983,910
Restricted Net Position	9,000	571,176	580,176
Unrestricted Net Position	(17,365)	1,252,294	1,234,929
TOTAL NET POSITION	(8,365)	5,807,380	5,799,015
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 175,533	$ 13,582,927	$ 13,758,460

The accompanying notes are an integral part of these financial statements.

PENROSE WATER DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS
FUNCTIONS/PROGRAMS			
Government Activities			
Current:			
General Government	$ 270,465	$ -	$ -
Business-type Activities			
Current:			
Water	1,374,423	1,291,722	3,900
TOTAL GOVERNMENT	$ 1,644,888	$ 1,291,722	$ 3,900
GENERAL REVENUES			
Property Taxes			
Specific Ownership Taxes			
Interest Income			
Gain (Loss) on Disposal of Capital Assets			
TRANSFERS			
TOTAL GENERAL REVENUES AND TRANSFERS			
CHANGE IN NET POSITION			
NET POSITION - Beginning			
Prior Period Restatement			
NET POSITION - Beginning (as Restated)			
NET POSITION - Ending			

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITES	TOTAL
$ (270,465)	$ -	$ (270,465)
-	(78,801)	(78,801)
(270,465)	(78,801)	(349,266)
172,389	-	172,389
29,275	-	29,275
-	39,731	39,731
-	5,700	5,700
70,876	(70,876)	-
272,540	(25,445)	247,095
2,075	(104,246)	(102,171)
-	5,901,186	5,901,186
(10,440)	10,440	-
(10,440)	5,911,626	5,901,186
$ (8,365)	$ 5,807,380	$ 5,799,015

PENROSE WATER DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

		General Fund
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Receivables		
Property Tax Receivable	$	173,251
Cash with Fiscal Agent		2,282
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	175,533
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Deferred Property Taxes		173,251
FUND BALANCE		
Restricted Fund Balance		9,000
Unassigned Fund Balance		(6,718)
TOTAL FUND BALANCE		2,282
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$	175,533

The accompanying notes are an integral part of these financial statements.

PENROSE WATER DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO GOVERNMENTAL ACTIVITIES NET POSITION
DECEMBER 31, 2019

Fund Balance - Governmental Funds	$	2,282
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.		
Accrued compensated absences		(10,647)
Total Net Position - Governmental Activities	$	(8,365)

The accompanying notes are an integral part of these financial statements.

PENROSE WATER DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund
REVENUES	
Taxes	$ 201,664
EXPENDITURES	
General Government	270,258
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(68,594)
OTHER FINANCING SOURCES (USES)	
Transfers (In)	70,876
NET CHANGE IN FUND BALANCE - GAAP BASIS	2,282
FUND BALANCE, BEGINNING	-
FUND BALANCE, ENDING	$ 2,282

The accompanying notes are an integral part of these financial statements.

PENROSE WATER DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS CHANGE IN FUND BALANCE TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Change in Fund Balance - Governmental Funds	$ 2,282
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level	
Change in accrued compensated absences	(207)
Change in Net Position - Governmental Activities	$ 2,075

The accompanying notes are an integral part of these financial statements.

PENROSE WATER DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

		Business-type Activities
		Water Fund
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Cash and Investments		
Cash	$	1,076,992
Restricted Cash and Investments		571,176
Receivables		
Utility Receivable		128,924
Other Receivables		19,920
Inventory		99,536
Total Current Assets		1,896,548
Noncurrent Assets		
Capital Assets not being depreciated		4,495,578
Capital Assets being depreciated		12,246,694
Accumulated Depreciation		(5,055,893)
Total Noncurrent Assets		11,686,379
TOTAL ASSETS	$	13,582,927
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts Payable	$	10,495
Accrued Interest Payable		62,583
Total Current Liabilities		73,078
Noncurrent Liabilities		
Due within one year		193,022
Due in more than one year		7,509,447
Total Noncurrent Liabilities		7,702,469
TOTAL LIABILITIES		7,775,547
NET POSITION		
Net Investment in Capital Assets		3,983,910
Restricted Net Position		571,176
Unrestricted Net Position		1,252,294
TOTAL NET POSITION		5,807,380
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$	13,582,927

The accompanying notes are an integral part of these financial statements.

PENROSE WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

	Business-type Activities
	Water Fund
Operating Revenues	
Utility Charges	$ 1,280,431
Other Charges for Services	11,291
Total Revenues	1,291,722
Operating Expenses	
Personnel Services	332,647
Commodity Charges	169,102
Operating Supplies	6,484
Repairs and Maintenance	26,421
Travel and Training	2,507
Storage and Treatment	96,588
Telephone and Utilities	32,652
Other Operating Expenses	15,123
Depreciation Expense	318,998
Other Capital Outlay	119,014
Total Expenditures	1,119,536
Operating Income (Loss)	172,186
Other Income (Expense)	
Investment Earnings	39,731
Interest Expense	(254,887)
Gain (Loss) on Sale of Assets	5,700
Total Other Income (Expense)	(209,456)
Net Income (Loss) before Transfers	(37,270)
Transfers	
Transfers In/(Out)	(70,876)
Net Income (Loss)	(108,146)
Contributed Capital	
Tap Fees	3,900
Change in Net Position	(104,246)
Net Position, Beginning	5,901,186
Prior Period Restatement	10,440
Net Position, Beginning (As Restated)	5,911,626
Net Position, Ending	$ 5,807,380

The accompanying notes are an integral part of these financial statements.

PENROSE WATER DISTRICT

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities
	Water Fund
Cash Flows From Operating Activities:	
Cash Received from Customers	$ 1,282,890
Cash Paid to Suppliers	(448,819)
Cash Paid to or on behalf of Employees	(332,647)
Net Cash Provided by Operating Activities	501,424
Cash Flows From Capital and Related Financing Activities:	
Tap Fees Received	3,900
Debt Principal Payments	(186,947)
Interest Payments	(256,406)
Proceeds of Capital Asset Sales	5,700
Acquisition of Capital Assets	(420,267)
Cash Flows Used by Capital and Related Financing Activities	(854,020)
Cash Flows (Uses) From Noncapital Financing Activities:	
Cash from Other Funds	(68,902)
Cash Flows (Uses) From Investing Activities:	
Interest Received	39,731
Net Increase (Decrease) in Cash	(381,767)
Cash - Beginning	2,029,935
Cash - Ending	$ 1,648,168
Cash	$ 1,076,992
Restricted Cash and Investments	571,176
Total	$ 1,648,168
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:	
Operating Income (Loss)	$ 172,186
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation Expense	318,998
Changes in Assets and Liabilities Related to Operations:	
(Increase) Decrease in:	
Utility Receivable	11,088
Other Receivables	(19,920)
Inventory	4,152
Prepaid Expenses	19,556
(Increase) Decrease in:	
Accounts Payable	(4,636)
Total Adjustments	329,238
Net Cash Used for Operating Activities	$ 501,424

The accompanying notes are an integral part of these financial statements.

PENROSE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Penrose Water District operates under the regulations pursuant to the Colorado Revised Statutes that designate a Board of Directors to act as the governing authority. The District provides potable water to the people within the boundaries of the District, which is located in Fremont County near Cañon City, Colorado. The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity

Penrose Water District is a political subdivision of the State of Colorado governed by a board of directors. As required by generally accepted accounting principles, these financial statements present the Penrose Water District (the primary government) and its component units.

The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit or burden on the District
- there is fiscal dependency by the organization on the District

Based on the above criteria, the District has no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. Internal activity has been eliminated within the function for the statement of activities presentation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes and specific ownership taxes are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

In the fund financial statements, the District reports the following major governmental fund:

General Fund
The General Fund uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal sources of revenues are property and specific ownership taxes. Principal expenditures are for District administrative costs.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues include the District are charges to customers for sales and service. Operating expenses include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise funds are used to account for operations financed and operated similar to businesses using the accrual method of accounting. Enterprise fund revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

The District reports the following major proprietary/enterprise fund:

Water Fund
This fund accounts for the activities related to the offering of water service to the District's residents.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In September the proposed budget is submitted to the District Board and a "Notice of Budget" is published stating that the proposed budget is on file for inspection.

2. In December the budget is approved and adopted fixing the rate of levy of taxation upon taxable property within the District and levies are certified to the county. A certified copy of the adopted budget is sent to the Division of Local Government within 30 days of adoption.

3. Prior to December 31, the District enacts an appropriation resolution for the ensuing fiscal year.

The District's adopted annual budget is prepared on the modified accrual basis of accounting, ie the District budgets for capital outlay and debt principal repayments but does not budget for depreciation. The District may authorize supplemental appropriations during the budget year. All budgetary appropriations lapse at year-end.

For 2019, the District's original and amended budgets were adopted consistent with its prior financial statement presentations, more specifically, as a single fund special purpose government. As Colorado statutes require budget presentations for each fund, the adopted combined budget has been split between the General and Water Funds, with this split required due to legal requirements that the District's Water Fund qualify as a "TABOR enterprise".

Internally, the District monitors its operations via two main budget categories, the operating and administrative activities, and the "Enterprise" generally representing water capital outlay and debt service. While these categories are sufficient for internal monitoring, these divisions are not compatible with fund level budget and actual statements Accordingly, the external budget and actual presentations included represent a generally accepted accounting principle fund level presentation on the budget basis rather than one based on the internal monitoring mechanism.

Encumbrances

The District does not utilize encumbrance accounting.

Cash and Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District considers its investment in Colotrust as a cash equivalent.

Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Under the accrual basis of accounting, receivables consist of all revenues earned at year-end and not yet received. Because the District has the right to lien property for unpaid water bills, no allowance for doubtful accounts is considered necessary. The District considers accounts receivable outstanding more than 30 days to be past due. At December 31, 2019, the District had $18,634 in past due accounts receivable.

Inventory

Inventories of materials and supplies are recorded on the balance sheet at the lower of cost or market using the first-in, first-out method of accounting.

Capital Assets

Capital assets, which include land, buildings, vehicles and equipment, are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and a useful life of more of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an expense for the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected on the Statement of Net Position. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Plant and Water Lines	30 - 40 years
Buildings and Improvements	10 - 30 years
Equipment	5 – 10 years

Accumulated Unpaid Leave (Compensated Absences)

The District permits an employee to carry over unused vacation pay based on anniversary date. Vacation is not carried over beyond the anniversary date. An employee hired prior to March 9, 1998 may receive compensation for unused sick leave up to 440 hours. However, the two employees that qualified under those sick leave rules have signed a waiver to forfeit this sick leave bank and begin using the same rules as all other employees. Employees hired after that date will not receive compensation for unused sick leave. One employee had unused vacation at year end. Prior to January 1, 2019, all unpaid leave was presented in the District's Enterprise Fund. Due to reclassification of property taxes and administrative costs into a new General Fund, and the fact that all unpaid leave is related to administrative employees, this balance is now presented as a governmental activity liability.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Long-Term Obligations

Long-term debt is reported at face value, including all applicable premiums and discounts and deferred amounts from refunding. Costs related to the issuance of debt are expensed when incurred. Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the District's case, this is for property taxes levied in 2019 to be collected in 2020.

Net Position

In the government-wide financial statements and for the proprietary fund statements, Net Position are either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. The District does not report any nonspendable balances.

Fund balances are reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the highest formal action, the adoption of an ordinance, of the government's highest level of decision-making authority, the Board of Directors, are reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. In the case of the District, assignments would be coordinated between the Board and District Manager.

All remaining fund balance in the General Fund or deficits in the other governmental funds are presented as unassigned.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted or unrestricted in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider the most restricted available balances to be utilized first.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the prior year and are due and payable to the County Treasurer in full by April 30 or in two equal installments due February 28 and June 15 of the ensuing year.

Property taxes to be collected in 2020 are accrued as a receivable and the related deferred inflow of revenue recorded. Property tax revenue is recognized as income as it becomes measurable and available.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2: CASH AND INVESTMENTS

The District's cash and investment balances as of the year ended December 31, 2019 are as follows:

Cash and Investments	$ 1,076,992
Restricted Cash and Investments	571,176
Total Cash and Investments	**$ 1,648,168**

This balance is comprised of:

Cash	$ 183,802
Investments	1,464,366
Total Cash and Investments	**$ 1,648,168**

DEPOSITS

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels ($250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and December 31, 2019, all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

At December 31, 2019 the District's deposits are categorized as follows:

	Bank Balance	Book Balance
FDIC Insured	$ 189,495	$ 182,721
Petty Cash	-	1,081
Total Cash	**$ 189,545**	**$ 183,802**

NOTE 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS

The following is a summary of District policies related to investments.

Credit Risk
Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2019, the District did not have any investments requiring safekeeping.

NOTE 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

Investments Held

During the year ended December 31, 2019, the District invested funds in the Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pool's investments are valued at fair value. The pool operates similar to a 2a-7-like money market fund with a share value equal to $1.00 and a maximum weighted average maturity of 60 days. This fund is rated AAAm by the Standard and Poor's Corporation. There are no material restrictions on withdrawals.

The District's investments consist of the following:

	Fair Value	Weighted Maturity	Rating
Local Government Pool	$ 1,464,366	-	AAAm

RESTRICTED CASH AND INVESTMENTS

The District has restricted cash and investments for the following:

Future Capital Improvement Projects	$ 46,563
Colo Water Cons Board Debt Svc Res	446,417
Dedicated Revenues for Debt Service	78,196
Total Restricted Cash and Investments	$ 571,176

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Water rights	$ 1,690,687	$ -	$ -	$ 1,690,687
Water storage rights	2,549,144	-	-	2,549,144
Land and rights of way	242,794	-	-	242,794
Land and rights of way	-	12,953	-	12,953
Total capital assets not being depreciated	4,482,625	12,953	-	4,495,578
Capital assets being depreciated:				
Buildings and improvements	61,999	350,620	-	412,619
Water treatment plants	2,178,576	-	-	2,178,576
Distribution system	9,309,072	32,124	-	9,341,196
Other equipment	289,733	24,570	-	314,303
Total capital assets being depreciated	11,839,380	407,314	-	12,246,694
Less: Accumulated depreciation	(4,736,895)	(318,998)	-	(5,055,893)
Net capital assets being depreciated	7,102,485	88,316	-	7,190,801
Net capital assets	$ 11,585,110	$ 101,269	$ -	$ 11,686,379

NOTE 4: DEFINED CONTRIBUTION PENSION PLAN

The Penrose Water District has adopted a 401(k) pension plan known as the Penrose Water District Profit Sharing Plan administered by Mutual of Omaha for all full-time employees who, after one year of service, are eligible to participate. The District matches employee contributions up to 4% of employee compensation. The District has no liability for further pension benefits. Five full-time employees are all participating in the plan. Employee and employer contributions for each of the last 3 years were as follows:

Year	Total Payroll	Employee Contribution	Employer Contribution
2019	$ 353,779	$ 28,301	$ 12,780
2018	337,251	17,668	11,653
2017	299,651	17,282	9,885

NOTE 5: LONG-TERM OBLIGATIONS

The following is a schedule of changes in long-term obligations for the year ended December 31, 2019:

	Balance 1/1/19	Advances	Repayments	Balance 12/31/19	Current Portion	Interest Expense	Accrued Interest
Governmental Activities:							
Compensated Absences	$ 10,440	$ 207	$ -	$ 10,647	$ -	$ -	$ -
Business-type Activities:							
2016 CWCB Loan	7,889,416	-	186,947	7,702,469	193,022	254,887	62,583
Total Obligations	**$ 7,899,856**	**$ 207**	**$ 186,947**	**$ 7,713,116**	**$ 193,022**	**$ 254,887**	**$ 62,583**

Note Payable

On December 13, 2010, the District has entered in a promissory note agreement with the Colorado Water Conservation Board in the principal amount of $8,844,570, subsequently amended to a maximum loan of $9,763,670, with a final draw amount of $8,415,684, to pay for water rights, construction of a raw water pipeline and to enlarge Brush Hollow Reservoir. The net effective annual interest rate of this issue of bonds is 3.25%. Principal and interest of $443,353 are due annually commencing October 1, 2016 for a period of thirty years. This loan is secured by “base water use revenues” and a 5.792 mill special mill levy. The balance of this note at December 31, 2019 is $7,702,469.

NOTE 5: LONG-TERM OBLIGATIONS (Continued)

Note Payable (Continued)

Debt payments to maturity on this note is as follows:

Year	Principal	Interest	Total
2020	$ 193,022	$ 250,330	$ 443,352
2021	199,296	244,057	443,353
2022	205,773	237,580	443,353
2023	212,460	230,892	443,352
2024	219,365	223,987	443,352
2025-2029	1,208,516	1,008,248	2,216,764
2030-2034	1,418,086	798,677	2,216,763
2035-2039	1,663,998	552,765	2,216,763
2040-2044	1,952,555	264,209	2,216,764
2045	429,398	13,956	443,354
Total	**$ 7,702,469**	**$ 3,824,701**	**$ 11,527,170**

Accrued Compensated Absences

Prior to January 1, 2019, all unpaid leave was presented in the District's Enterprise Fund. Due to reclassification of property taxes and administrative costs into a new General Fund, and the fact that all unpaid leave is related to administrative employees, this balance is now presented as a governmental activity liability.

NOTE 6: FUND BALANCE RESERVATIONS/APPROPRIATIONS

Emergency Reserve

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado, all local governments, and special districts.

The District's financial activity for the year ended December 31, 2019 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2019, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retention of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

At a November 4, 1997 election, the electors of the District authorized the District to collect, retain and expend the full amount of the revenues from all sources during 1997, as well as the full amount of all revenues generated by all sources for each subsequent year. This election authorized the spending of such revenues in each year without limitation under Article X, Section 20 of the Colorado Constitution.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

NOTE 6: **FUND BALANCE RESERVATIONS/APPROPRIATIONS** (Continued)

Emergency Reserve (Continued)

The Article requires an emergency reserve be set aside for 2019 in the amount of 3% or more of its fiscal year spending. At December 31, 2019, the District has restricted the following for emergencies based on the General Fund activity that is subject to the amendment:

General Fund	$9,000

The District believes it is in compliance with the provisions of the TABOR Amendment.

NOTE 7: **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to firemen; and natural disasters. The District purchases commercial insurance for all risks of loss. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 8: **COMMITMENTS AND CONTINGENCIES**

Source of Supply

One of the District's sources of water supply is provided by use of water from Beaver Park Water, Inc. (Beaver Park), a Colorado non-profit mutual ditch and reservoir company, under a water agreement dated March 6, 1990 and amended in 1997. The agreement runs to December 31, 2020 and provides for review and negotiations between the parties concerning the rates charged by Beaver Park every 5 years. Delivery is realized via the Brush Hollow Reservoir supply canal that is owned by Beaver Park. The reservoir, also owned by Beaver Park, has a dual purpose: Primarily to supply irrigation water for local area agriculture, and secondarily to serve as an alternate raw water supply for the District. The District gets most of its raw water from stream flow. The District owns 500 acre feet of storage space in the reservoir.

Related Party Transactions

Many of the residents of the District are also shareholders in Beaver Park. From time to time members of the Board of Directors of the District or their relatives may own shares in Beaver Park and may serve as officers or directors of Beaver Park. The District does not have a policy forbidding board members of the District from serving as board members of Beaver Park. Management of the District believes that the shares owned by members of its Board of Directors are an insignificant number of the total shares outstanding of Beaver Park. As of December 31, 2019 two directors of the District had close relatives serving on the 5 member board of Beaver Park. During 2019 and 2018 the District paid approximately $165,009 and $167,468 respectively to Beaver Park.

NOTE 9: CHANGE IN PRESENTATION AND PRIOR PERIOD RESTATMENT

General Fund

The District has historically tracked administrative costs as a separate component from system operations. Due to a conflict between the legal requirements of the TABOR amendment discussed in Note 6 above and the need for the Water Fund to maintain "enterprise" status as defined by the amendment to facilitate the receipt future grant and debt offerings, the District has elected to modify its existing presentation of its operations effective January 1, 2019. The District will now present the administrative portion of its operations as a separate and unique General Fund, to be funded through a general operating property tax mill, with the cost of system operations funded through the Water Enterprise Fund. The District anticipates that there will be a small transfer of excess property taxes from the General Fund to the Water Fund annually, or that a similar transfer from the Water Fund will be required to cover the costs of the administrative function. It is not anticipated that the General Fund will accumulate resources over time. As the General Fund administrative expenditures will be balanced to revenues via a transfer either to or from the Water Fund, the General Fund does not anticipate ending carryover and a beginning balance restatement is not necessary.

Governmental Activities

Due to the change in presentation of administrative activities as described above, the accrued leave balance related to the administrative function will no longer be presented as a fund liability in the Water Fund but as a noncurrent liability in the Governmental Activities. This amount totaled \$10,440 as of December 31, 2018. Net position in the Governmental Activities has been restated to reflect this change in presentation.

Water Fund

Due to the change in presentation of administrative activities as described above, the accrued leave balances related to the administrative function are no longer presented as fund liabilities in the Water Fund but as a noncurrent liability in the Governmental Activities. Beginning net position in the Water Fund has been increased by \$10,440 to reflect this change in presentation.

NOTE 10: DEFICIT NET POSITION AND FUND BALANCE

As of December 31, 2019, the District had a deficit net position of \$(8,365) in the Governmental Activities due to the requirement to report accrued compensated absences related to administrative (General Fund) employees as a governmental liability. In addition, the Governmental Activities has an unrestricted net position deficit of \$(17,365) due to the obligation to report both accrued compensated absences and the TABOR emergency reserve discussed in Note 6.

As of December 31, 2019, the District had a deficit unrestricted net position of \$(6,718) in the General Fund due to the requirement to report a TABOR emergency reserve as further discussed in Note 6. As the District intends to balance administrative costs reported in the General Fund through transfers to and from the Water Fund, this deficit is anticipated to continue. Should the District be required to utilize the emergency reserve required by TABOR, additional transfers can be made from the Water Fund.

NOTE 11: INTERFUND ACTIVITY

The District has recorded a transfer \$70,876 from the Water Fund to the General Fund to offset administrative costs.

Required Supplementary Information

PENROSE WATER DISTRICT

BUDGETARY COMPARISON SCHEDULE
General Fund
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019			
	Original Budget	**Final Budget**	**Actual**	**Variance With Final Budget**
REVENUES				
Taxes				
Property Taxes	$ 173,900	$ 169,316	$ 172,389	$ 3,073
Specific Ownership Taxes	26,500	26,337	29,275	2,938
TOTAL REVENUES	200,400	195,653	201,664	6,011
EXPENDITURES				
General Government				
Personnel Services	-	180,188	180,188	-
Insurance	20,000	19,241	20,440	(1,199)
Professional Fees	20,080	16,289	16,904	(615)
Repairs and Maintenance	16,449	18,865	20,663	(1,798)
Supplies	18,464	16,388	15,918	470
Telephone and Utilities	7,635	8,397	8,718	(321)
Other Expenses	7,827	7,516	7,427	89
Total General Government	90,455	266,884	270,258	(3,374)
Contingency Reserve	4,320	4,316	-	4,316
TOTAL EXPENDITURES	94,775	271,200	270,258	942
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	105,625	(75,547)	(68,594)	6,953
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	70,876	70,876
Transfers (Out)	(88,079)	(44,000)	-	44,000
TOTAL OTHER FINANCING SOURCES (USES)	(88,079)	(44,000)	70,876	114,876
NET CHANGE IN FUND BALANCE - BUDGET BASIS	$ 17,546	$ (119,547)	2,282	$ 121,829
FUND BALANCE, BEGINNING			-	
FUND BALANCE, ENDING			$ 2,282	

See accompanying Independent Auditors' Report.

Other Supplementary Information

PENROSE WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Water Fund
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019		
	Final Budget	Actual	Variance with Final Budget
Operating Revenues			
Utility Charges	$ 1,284,182	$ 1,280,431	$ (3,751)
Other Charges for Services	19,992	11,291	(8,701)
Total Revenues	1,304,174	1,291,722	(12,452)
Operating Expenses			
Personnel Services	338,200	332,647	5,553
Commodity Charges	169,102	169,102	-
Operating Supplies	2,430	6,484	(4,054)
Repairs and Maintenance	62,431	26,421	36,010
Travel and Training	2,492	2,507	(15)
Storage and Treatment	96,032	96,588	(556)
Telephone and Utilities	31,281	32,652	(1,371)
Other Operating Expenses	14,310	15,123	(813)
Other Capital Outlay	533,022	539,281	(6,259)
Total Expenditures	1,249,300	1,220,805	28,495
Operating Income (Loss)	54,874	70,917	16,043
Other Income (Expense)			
Investment Earnings	39,963	39,731	(232)
Debt Service	(443,353)	(441,834)	1,519
Gain (Loss) on Sale of Assets	5,700	5,700	-
Total Other Income (Expense)	(397,690)	(396,403)	1,287
Net Income (Loss) before Transfers	(342,816)	(325,486)	17,330
Transfers			
Transfers In/(Out)	44,000	(70,876)	(114,876)
Net Income (Loss), Budget Basis	(298,816)	(396,362)	(97,546)
Contributed Capital			
Tap Fees	3,900	3,900	-
Change in Net Position (Budget Basis)	$ (294,916)	(392,462)	$ (97,546)
Budget to GAAP Reconciliation			
Principal Paid		186,947	
Depreciation Expense		(318,998)	
Capital Outlay		420,267	
Change in Net Position - GAAP Basis		(104,246)	
Net Position, Beginning		5,901,186	
Prior Period Restatement		10,440	
Net Position, Beginning (As Restated)		5,911,626	
Net Position, Ending		$ 5,807,380	

See accompanying Independent Auditors' Report.